



**City of Seattle  
Office of City Auditor**

# Office of City Auditor Work Program

As of January 12, 2007

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## **Development of Audit Work Program**

Our overall goal in developing the office's work program is to choose projects that will help City departments improve services, inspire useful innovations, and increase City revenues and/or reduce the City's costs. We encourage City officials and citizens to make suggestions for our work program. We ask them to propose projects that emphasize improved delivery of services, citizen satisfaction, and cost reduction. While developing the work program we will consider the needs of departments, the quality of their internal controls, program funding and changes, time elapsed since the last audit, and the skills and availability of audit staff. We strive to perform projects that emphasize improved delivery of services, citizen satisfaction, and cost reduction.

Throughout the year, we re-prioritize our work program to ensure that we are addressing those audits most important to the City's decision-makers. As described in Council Resolution 30175 Section 3:

"The Council further recognizes that the City Auditor is committed to providing independent and objective reports that address City problems and issues in a timely manner. To accomplish this goal, the Council acknowledges that the City Auditor will periodically during the year re-prioritize the Office of City Auditor's work program so that it will continue to address emergent critical issues in a timely manner."

## **Public Defense Services**

Washington State law (RCW Chapter 10.101) governs the provision of public-defense services. This law states that "...effective legal representation should be provided for indigent persons and persons who are indigent and able to contribute, consistent with the constitutional requirements of fairness, equal protection, and due process in all cases where the right to counsel attaches."

In 2004, the City contracted with King County to provide public defense services. King County then sub-contracted with three non-profit agencies that provided the legal services. In 2005 the City began directly contracting with two non-profit agencies to provide legal services to individuals facing misdemeanor charges in Seattle Municipal Court.

The purpose of this audit is to determine whether the City's new method for acquiring public defense services is maintaining service quality and providing effective legal representation. This project was suggested by City Councilmembers Licata and McIver.

## **External Funding of Capital Projects**

The City of Seattle's 2005-2010 Capital Improvement Program (CIP) Budget details \$5.9 billion in anticipated capital expenditures. Sources external to the City account for \$511 million in expected or actual contributions to CIP projects, including \$150 million from the federal government, \$139 million from the state, and \$156 million from various private sources.

In 2005, at the request of Councilmember Nick Licata, our office investigated best practices regarding reliance on unpredictable funding sources for capital projects. We encouraged the City to adopt two best practices identified in our research:

- (1) Address the risks posed by reliance on external funding by requiring a letter of agreement or other assurance from the outside party; and

- (2) Before project authorization, develop acceptable contingency plans, to be implemented if predicted revenue sources do not materialize.

As a result of this investigation, the City Auditor decided to review the use of external funding sources for a sample of capital projects in the City of Seattle. The specific objectives for the review of these projects are to determine whether:

- The City's Department of Parks and Recreation, Department of Information Technology and the Seattle Center have adequate internal controls for securing commitments from external funding sources before embarking on capital projects; and
- The three departments noted above have adequate controls for collecting funds from external funding sources for capital projects.

## **Special Events Permitting**

This audit, requested by Councilmembers Della, Licata and Steinbrueck, will evaluate the special events permitting process and identify possible ways for the City to improve its current process. The audit is currently in its initial job design phase. A determination as to the audit's scope and schedule is expected in Spring 2007.

## **Seattle Public Utility Billing and Accounts Receivable Audits**

Seattle Public Utilities (SPU) provides water, wastewater, drainage, and solid waste utility services to residential, commercial, industrial, and wholesale customers. We are conducting audits of the internal controls associated with SPU's customer billing and accounts receivable processes. This will include all significant aspects of the utility service revenue transaction cycle, and includes utility usage tracking that affects the billed amount, calculation and distribution of the bills, processing of customer payments, follow up on monies due, and the handling of delinquent accounts. This review will emphasize internal controls that could have a financial impact on the City. SPU's annual revenues for utility services provided are approximately \$400 million. We selected this area for review based on the magnitude of this revenue stream.

This project includes three separate audits – Drainage, Commercial Solid Waste and Transfer Stations, and CCSS Billing (includes Water, Wastewater, and Residential Solid Waste).

## **Collections Controls Review**

We are conducting a procedural review of the City's internal controls for accounts sent to the collection agency hired by the City. This project resulted from our review of collections controls and procedures during the SPU Billing and Accounts Receivable – Commercial Solid Waste and Transfer Stations audit. In that audit, we identified several issues that affect Citywide collections activities. We will focus this review on controls that could impact revenue recovery effectiveness and compliance with applicable laws and regulations. We will seek to issue a draft memorandum in late first quarter 2007, and then we will work with Department of Executive Administration's Treasury unit, and possibly other City departments, to help facilitate the compilation of management action plans to address the issues.

## **DPD Code Enforcement Effectiveness and Efficiency**

The Department of Planning and Development (DPD) and the Law Department are charged with enforcing the City's Housing and Land Use Codes. DPD responds to complaints from citizens who believe they see code violations. These cases can generate great dissatisfaction for the

affected citizens. The 16 DPD inspectors respond to thousands of complaints each year. Most complaints in which violations are found are resolved with the responsible party achieving compliance, but some properties remain in violation for extended periods. When compliance is not achieved voluntarily, the cases are referred to the Law Department, which is responsible for pursuing a process through the courts that can result in the assessment of a fine. The objectives of this audit are to determine whether:

- DPD has sufficient controls in place to respond effectively to complaints of violations of the Housing Code and Land Use Code.
- The effectiveness and efficiency of the City's Housing Code and Land Use Code enforcement can be improved.

## **DPD Housing Code Enforcement to Preserve Low Income Housing**

Rental housing in the City of Seattle is subject to the Seattle Housing Code. Enforcement of the Housing Code is performed on a complaint bases, and is conducted by the Department of Planning and Development (DPD). If the property is not brought into compliance, the Law Department takes the property owner to court for assessment of a fine. The purpose of this review is to determine whether improved Housing Code enforcement would help maintain the quality of Seattle's low income housing. This project is on hold, awaiting a decision by the State Supreme Court on the legality of requiring a rental housing license and routine housing code inspection of rental housing.

## **Critical System Failures: Manual Operations**

In the event that a natural disaster or cyber event disrupts the City's critical information technology (IT) systems (e.g., 911, emergency management systems, SCADA systems, utility process control systems), the City would revert to manual operations for many of these systems. Good controls for manual operations include maintaining current written procedures, testing procedures regularly, maintaining current staff contact information, and planning for communications, staff support, and physical requirements during manual operations. This project examines the effectiveness of manual operations controls for critical systems in the Seattle Police Department, Seattle Fire Department, Seattle Public Utilities (SPU), and Seattle City Light.

## **Park's Citizen Participation Phase 2**

City Councilmember David Della asked our office to review the Department of Parks and Recreation's (Parks) public involvement practices due to public controversies in the spring of 2006 regarding certain Parks projects. The first phase of our review was completed in September 2006, and the published report can be viewed at:  
<http://www.seattle.gov/audit/2006.htm#parksprocess>.

The second phase of our review focuses on Parks' adopted Public Involvement Policy, and includes a case study review of the recent Parks project at the Loyal Heights playfield. This second phase review may reveal additional potential improvements to the Public Involvement Policy.

## **Information Technology Security Training Course**

We are assisting the Department of Information Technology with the development of an online course to educate City employees about information security.

## **City Overpayment Identification**

Our office will review City vendor contract invoices to identify overpayments and substandard performance, starting with the Department of Fleets and Facilities. We plan on analyzing department internal controls for vendor payments including an invoice review to determine if there are instances when the City of Seattle is paying funds that are in excess of agreed to contract terms. We plan to request that City of Seattle management seek to recover any contract overpayments, and we will make any necessary recommendations to improve management of contract costs.

## **Cash Handling Reviews**

Currently, the City of Seattle has more than 140 cash funds totalling over \$400,000 located at various sites. These funds are comprised of petty cash, working funds, and change funds. Our office started its cash-handling review program in 1997 as a result of the City Council's passage of Council Resolution 29604 in July 1997. Before we started this project, the City did not have an accurate list of all the sites or the value of their holdings; however, today the City possesses that information, which increases the accountability for City funds. Also, our recommendations and cash-handling self-assessment questionnaires improve the City's ability to handle cash in accordance with established cash-handling best practices.

## **Data Mining Auditing Project**

The City has many programs that store data. We plan to research continuous auditing and data query possibilities for the City of Seattle to determine what data could and/or should be regularly monitored. We will determine whether anyone is already monitoring these areas, and we will work with the State Auditor's Office and other City of Seattle external auditors to coordinate our continuous auditing efforts. For those areas not currently being monitored, we will consider whether our office should begin monitoring them. Some of our office's staff members will become proficient in the use of the query software package known as ACL and develop queries to meet our office's data collection needs.

## **Paper Cuts Campaign**

On February 16, 2005, the Mayor issued an Executive Order directing City departments to reduce paper use by 30 percent by the end of 2006. Our office is providing consulting and analytical services to the Mayor's Paper Cuts Campaign in support of achieving the paper reduction goal.

## **Fire Levy Project Management**

The Fire Levy is a \$160 million, visible City initiative with many projects in many locations. This project will review the Fleets and Facilities Department's systems for managing Fire Levy project documents, cost, schedule, and reports.

## **Communication of Emergency Management Information**

This project would review the City's plans and processes for communicating with both City staff and citizens during an emergency. Our audit will examine the technology, deployment planning, organizational structures (including intergovernmental coordination), and controls related to

communication of emergency management information. We would evaluate the City's planning, practices, and infrastructure for emergency management communications regarding localized events as well as widespread events (e.g., pandemic flu). A survey of best practices from other jurisdictions might also be included.

## **Millennium Digital Media Compliance with Cable Customer Bill of Rights**

Adopted in 1999 (SMC 21.60), the Cable Customer Bill of Rights (CCBOR) established minimum standards for cable companies operating in Seattle, and procedures and penalties if those standards are not met. In 2002, amendments to the CCBOR strengthened these protections and added the strongest cable privacy protections in the country. This audit is the third of a series of planned, periodic audits of Seattle's cable franchises to determine if they are in compliance with SMC 21.60, the Cable Customer Bill of Rights. The audit will be performed in partnership with the City's Office of Cable Communications. The scope of work for this audit is still to be determined, but is likely to include, among others, the following areas: customer service requirements, complaint procedures and reporting requirements. We plan to start this audit in mid-January 2007.

## **Comcast Compliance with Cable Customer Bill of Rights**

This audit is the fourth of a series of planned, periodic audits of Seattle's cable franchises to determine if they are in compliance with SMC 21.60, the Cable Customer Bill of Rights. The audit will be performed in partnership with the City's Office of Cable Communications. The scope of work for this audit is still to be determined, but is likely to include, among others, the following areas: customer service requirements, complaint procedures and reporting requirements. We plan to start this audit upon completion of the Millennium Digital Media audit.

## **Internal Quality Assurance Review**

As part of our procedures for ensuring that we comply with the Government Auditing Standards, we are evaluating a sample of the office's 2006 work products and our internal quality control system.

## **City Travel**

At the request of City Councilmember Nick Licata, we will be reviewing the City's travel expenditures and travel policy and procedures.